Medicare Learning Network
Medlearn Matters
Information for Medicare Providers
CMS CENTERS for MEDICARE & MEDICAID SERVICES

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Implementation Date: April 4, 2005

MMA – New Case-Mix Adjusted End Stage Renal Disease (ESRD) Composite Payment Rates and New Composite Rate Exceptions Window for Pediatric ESRD Facilities

Provider Types Affected

Physicians, providers, and suppliers

Provider Action Needed

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003 (MMA) mandates that the Centers for Medicare & Medicaid Services (CMS) use a limited number of patient characteristics in establishing a basic case-mix adjusted prospective payment system for dialysis services furnished by providers and renal dialysis facilities to individuals in a facility or in their home. The current composite payment rates will be adjusted for individual patient characteristics and budget neutrality for services furnished on or after April 1, 2005

Background

In accordance with the Social Security Act (Section 1881(b)(12)(A)), as added by the MMA (Section 623(d)(1)), the Centers for Medicare & Medicaid Services (CMS) "shall establish a basic case-mix adjusted prospective payment system for dialysis services furnished by providers of services and renal dialysis facilities in a year to individuals in a facility and to individuals at home. The case-mix under the system would be for a limited number of patient characteristics."

Use of a case-mix measure permits targeting of greater payments to facilities that treat more costly and more resource-intensive patients, and the methodology for applying patient characteristic adjusters applicable to each treatment will determine the case-mix adjustment that will vary for each patient.

Thus, an ESRD facility's average composite payment rate per treatment will depend on the unique case-mix of their patients. The patient characteristic variables that are utilized in determining an individual patient's case-mix adjusted composite payment rate include

- Five age groups;

- A low Body Mass Index (BMI);
- A body surface area (BSA); and
- An adjustment for pediatric patients.

Note that pediatric ESRD patients (defined as under the age of 18) receive a specific case-mix adjustment factor. As a result, none of the other case-mix adjustors (i.e. the five age groups, low BMI and BSA) are applicable to pediatric ESRD patients.

Medicare has established software, known as the ESRD Pricer Program, to automatically calculate the composite payment rate for a particular patient for a particular month(s). As an example, the ESRD Pricer Program utilizes each patient's height and weight as reported on billing form CMS UB-92 to automatically calculate the low BMI and BSA case-mix adjustments to an ESRD facility's composite payment rate.

While payment formulas may change, Medicare is required to maintain overall budget neutrality and overall payments will not increase or decrease as a result of changes in the payment methodology. Therefore, the case-mix adjusted composite rate payments for 2004 must result in the same aggregate expenditures for 2005 (as if the adjustments are not made).

While the magnitude of some of the patient-specific case-mix adjustment factors appears to be significant, facility variation in the case-mix is limited. Regardless of the type of provider, the average case-mix adjustments for patient characteristics do not vary significantly. This is because of the overall similarity of the distribution of patients among the eight case-mix classification categories across facility classification groups.

Since ESRD facilities can maintain their current exception rates, CMS expects ESRD facilities to compare their exception rate to their basic case-mix adjusted composite rate to determine the best payment rate for their facility.

Each dialysis facility has the option of continuing to be paid at its exception rate or at their basic case-mix adjusted composite rate (which includes all the MMA 623 payment adjustments).

If the facility retains its exception rate, it is not subject to any of the adjustments specified in Section 623 of the MMA. Determinations as to whether an ESRD facility's exception rate per treatment will exceed its average case-mix adjusted composite rate per treatment are left to the entities affected.

Each ESRD facility is allowed to notify its fiscal intermediary (in writing) at any time if it wishes to give up or withdraw its exception rate and be subject to the basic case-mix adjusted composite payment rate methodology. The case-mix adjusted composite payment rates will begin 30 days after the intermediary's receipt of the facility's notification letter. ESRD facilities electing to retain their exceptions do not need to notify their intermediaries.

Pediatric facilities should note that the MMA requires the opening of a new pediatric facility exception request window for such facilities that **did not have an approved exception rate** as of October 1, 2004. MMA defines a pediatric facility as a renal facility with at least 50 percent of whose patients are under 18 years of age. If a pediatric facility should project, on the basis of prior years cost and utilization trends that it will have an allowable cost per treatment higher than the prospective rate, the facility may request that CMS approve an exception to that rate and set a higher prospective payment rate. ***Pediatric facilities***

must submit request such requests from April 1, 2005 to September 27, 2005 in order for the request to be considered. The September 27, 2005 deadline will not be extended.

CMS will adjudicate such exception requests in accordance with the procedure outlined in regulation at 42 CFR 413.180 and at Chapter 27 of Part I of the Provider Reimbursement Manual (PRM). Part I of the PRM can be accessed at: **http://www.cms.hhs.gov/manuals/pub151/PUB_15_1.asp**. Please note that if the facility fails to adequately justify its pediatric exception request, such request would be denied.

Providers and facilities should note the following with regard to claims submissions:

- Be sure to populate Value Code A8 on Types of Bill (TOB) 72X with patient weight in kilograms or your claim will be returned.
- Be sure to populate Value Code A9 on TOBs 72X with patient height in centimeters or your claim will be returned.
- Because this new payment process is effective on April 1, 2005, renal dialysis facilities (RDFs) must split all ESRD claims that overlap April 1, 2005. I.e., the facility should split claims where the Through Date is on or after April 1, 2005, and the From Date is prior to April 1, 2005.
- RDFs should use Condition Code 80 when an ESRD beneficiary receives Home Dialysis in Nursing Facilities, including Skilled Nursing Facilities (SNFs).
- RDFs should also continue to use Condition Code 74 when an ESRD beneficiary receives Home Dialysis in Nursing Facilities, including SNFs.

Implementation

The implementation date for this instruction is April 4, 2005.

Additional Information

For complete details, please see the official instruction issued to your intermediary regarding this change. That instruction may be viewed by going to:

http://www.cms.hhs.gov/manuals/transmittals/comm_date_dsc.asp

From that web page, look for CR 3572 in the CR NUM column on the right, and click on the file for that CR.

If you have any questions, please contact your intermediary at their toll-free number, which may be found at:

http://www.cms.hhs.gov/medlearn/tollnums.asp.